

## Wage Determination, Socio-Economic Regulation and the State

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Postprint / Postprint

Zeitschriftenartikel / journal article

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### Empfohlene Zitierung / Suggested Citation:

Koch, M. (2005). Wage Determination, Socio-Economic Regulation and the State. *European Journal of Industrial Relations*, 11(3), 327-346. <https://doi.org/10.1177/0959680105057214>

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## **Wage Determination, Socio-Economic Regulation and the State**

**ABSTRACT** ■ This article examines changes in socio-economic regulation and the role of the state in the Netherlands, Spain, the UK, Sweden and Germany, against the background of the theoretical debate on transition from Fordist to post-Fordist growth strategies. The first focus is on reforms in the labour market and the welfare state, and their effect on the political and social processes through which wage norms are generalized in a national economy. The second is on the changing role of the state as an institutional form. The article starts from some basic assumptions of the regulation approach and delineates the status of the concepts of wage relation and wage determination, on the one hand, and the state, on the other. It then considers the debate over modifications to these concepts in the transition from Fordist to post-Fordist growth strategies, drawing on the trajectories of the five countries.

### **Introduction**

This article analyses changes in socio-economic regulation and the role of the state in the Netherlands, Spain, the UK, Sweden and Germany. It addresses, first, reforms in the labour market and welfare state and their impact on the procedures and contents of wage determination, the political and social processes through which wage norms are generalized in a national economy. Second, it examines the changing role of the state as an institutional form, applying some of the basic assumptions of the regulation approach. It then considers theoretical debates over modifications to these concepts in the transition from Fordist to post-Fordist growth strategies, in the light of the trajectories in the five countries.

## Regulation Theory and the Wage Relation

The regulation approach is not a unified body of theory: it encompasses a set of different ideas which might be interpreted as a research programme in the social sciences. While authors such as Aglietta (1987), Boyer (1990) and Becker (2002) tend to regard the abstract features of capitalism as largely constant, they address both crises in the accumulation process and periods of expanded production and growth in the context of their institutional, social and political 'embedding'. This involves, first, a critique of neo-classical economics, in particular its ahistorical notion of *homo economicus* and its assumption of a natural tendency towards stable equilibrium. Second, regulation theory criticizes the conventional Marxist view that capitalism will ultimately collapse in a series of crises. On the contrary, capitalism 'develops through a series of ruptures in the continuous reproduction of social relations. Crises are resolved through an irreversible transformation which allows the fundamental or "determinate structure" of capitalism to continue' (Friedman, 2000: 61).

The regulation approach employs a number of intermediary concepts. *Regimes of accumulation* are associated with specific historical phases and development paths, normally associated with a particular industrial paradigm. They are based on compatible commodity streams of production and consumption, reproduced over a long period of time. A *mode of regulation* is an ensemble of social networks as well as rules, norms and conventions, which facilitate the reproduction of an accumulation regime. It comprises five *institutional forms*: the wage relation (or wage-labour nexus); the enterprise form; the nature of money; the state; and international regimes. It also includes geographical and temporal dimensions, which Jessop (2002: 21) calls *spatio-temporal fixes*; these determine the main boundaries within which structural coherence is ensured. Regulationists describe a historical constellation, in which a regime of accumulation and a mode of regulation complement each other sufficiently to secure a long era of economic expansion and social cohesion, as a *growth model* or a *model of development*. The stability of such a growth model is enhanced where a common-sense value system is accepted across all social classes and groups (Koch, 2001).

Why is 'regulation' necessary? Jessop (2002), following Marx, identifies three key contradictions or 'tensions' which have to be addressed in any capitalist society. First, capitalism cannot reproduce itself wholly through its inherent logic of commodification; this requires a range of non-commodity forms of social relations as well as 'fictitious' commodities such as land, money, knowledge and, above all, labour power. Second, many of the contradictions of capitalism can be traced to the basic contradiction between exchange and use value: productive capital

is both an abstract value and a concrete stock of specific assets; the worker is both an abstract unit of labour power substitutable by others and a concrete individual with specific skills, knowledge and creativity; the wage is both a cost of production and a source of demand; money functions both as an international currency exchangeable against other currencies and as national money. State economic and social policy has to maintain social cohesion in a divided, pluralistic society. Third, structural tensions nonetheless assume different forms and different weights in different countries. They are also, for the most part, manageable according to the particular institutional regulation, the specific spatio-temporal fixes and the hegemonic blocks with which they are occasionally associated. In the face of these tensions, a relatively stable regime of accumulation and a successful mode of regulation cannot be taken for granted, but must be understood as the product of a rather fortuitous and fortunate convergence of relatively independent developments in different societal fields.

Boyer defines the *wage relation* as a 'set of legal and institutional conditions that govern the use of wage-earning labour as the workers' mode of existence' (2002a: 74). It refers 'to the type of means of production; the social and technical division of labour; the ways in which workers are attracted and retained by the firm; the direct and indirect determinants of wage income; and lastly, the workers' way of life' (Boyer, 1990: 38). In this article, we focus on the determinants of wage income or, more specifically, the procedures and content of wage determination; these can be understood as the process by which wage norms are generalized within an economic space. Wage determination is normally mediated through bipartite or tripartite bargaining at company, sector or national levels. Despite distinctive national trajectories, the Fordist wage relation rested on a particular sort of compromise: 'acceptance of Fordist production methods in return for productivity gain sharing' (Boyer, 2002b: 232). This involved the recognition by employers of trade unionism and centralized collective bargaining, while the unions, for their part, respected management's right to control the labour process. Wages were normally indexed to productivity growth, while monetary and credit policies were oriented towards the creation of effective aggregate demand.

In the course of the 1970s, the Fordist growth model experienced a multilayered crisis, involving the exhaustion of the productivity potential of economies of scale, the changing demand structures for industrially manufactured goods, the spatial reorganization of the working process and the new role of financial capital and investment practices (Lipietz, 1987). There was growing pressure to change the established forms of wage determination — either the level and/or the content and orientation of collective bargaining, in particular. Both adaptations

were complemented by corresponding changes in the general mode of regulation.

In our analysis of national trajectories, we will examine whether reforms in the labour market and welfare state influenced processes and outcomes of wage determination one-sidedly in support of capital interests or whether they helped to form a new, post-Fordist compromise. The first approach features a lack of wage coordination (with bargaining at company or individual level) and a general orientation towards (short-term) capital interests; while in the second, Fordist wage-determination processes are not abolished, but are developed further to accommodate both the competitive interests of the employers and the interests of employees. Wage coordination continues either at the national or sector level and is oriented towards a balance between capital valorization, productivity growth, wage increases and labour-market participation.

## **The Role of the State in Socio-Economic Regulation**

The Marxist debate in the 1970s on the role of the state in socio-economic regulation generated the thesis that a state apparatus formally separated from all economic agents ‘and the resulting institutionalized division between “politics” and “economics” is a structural requirement for the stable reproduction of capitalist societies’ (Hirsch, 2000: 110). Market forces alone cannot reproduce the basic categories of the capitalist mode of production — private labour, the securing of private property and the respect of the principle of equivalence in exchange relations. These depend on a formally independent institution that, above all, monopolizes the legitimacy of physical force. Regulationists elaborated on this notion and analysed the state as both ‘an active party in the economy (via public finances and money) and as constitutive of the environment of the commodity economy (through the interaction of public policies)’ (Théret, 2002: 123). In the Fordist growth model, the nation-state played an active role, supporting the wage relation by policies designed to integrate the circuits of the capital and consumer-goods industries, and by mediating the conflicts between capital and labour over wage issues. It further helped to achieve growth by promoting capital accumulation through public infrastructure spending and permissive credit and monetary policies. Most western European governments also carried out substantial income redistribution through Keynesian counter-cyclical economic policies.

In the debate on the changing role of the state in the transition from Fordism to post-Fordism, regulationists work from the ‘hypothesis that the nation-state is still a relevant unit of analysis (Boyer, 2002b: 231), even when a high level of internationalization is de-establishing many of the

institutional compromises of each country' (Boyer, 2002b: 231). The relationship between the world market and national economies is addressed as a 'doubled set of connections' (Hirsch, 2000: 105): on the one hand, growth and development potentials of national locations depend how they are embedded in the international division of labour; on the other, the latter is itself determined by nation-states which are themselves results of negotiations and struggles between different classes and social groups. The leeway for national growth strategies corresponds to different combinations of these two parameters, while the structure of the world market is seen as a 'field of possible positions' that allows for the simultaneous existence of a 'range of mutually compatible national regimes' (Lipietz, 1987). In contrast to *dependency* theories, regulationists do not interpret the international division of labour as socially and spatially invariable and homogenous, a fixed 'core-periphery' relationship, but rather as a 'variable network'. 'The global movements of capital are constantly modified via national formations' (Hirsch, 2000: 106) and the socio-economic struggles behind them. Thus the world market is an unstable balance of dominant and peripheral regions.

In western Europe, as elsewhere in the world, economic internationalization undermined Keynesian modes of regulation and forced nation-states to reassess their growth strategies. However, it does not follow that the role of national governments in areas such as labour-market and social policy is reduced to one of transmission belts of global 'constraints'. On the contrary, from a regulation theoretical perspective 'globalization' itself appears codetermined by nation-state growth strategies, and institutional deregulation and general state withdrawal from economic regulation is not the only option.

Despite consensus among regulationist researchers that there is a general shift towards a piecemeal transition in state regulation from demand management to supply management, this transition can be carried out in different ways and with different effects for the state as an institutional form in socio-economic regulation. The role of the state can be weakened in cases where it pushes through reforms that are exclusively in the short-term interest of capital-owners (for example, by attracting international capital through low labour costs and reduced taxes and contributions, displacing previous objectives such as full employment and reduction in income inequalities); once these reforms are carried out, the state withdraws from an active role and leaves regulation to 'market forces'. By contrast, the role of the state remains strong where supply-oriented policies are combined with the maintenance of employment rights. Such an 'engaged state' is generally oriented towards rationalization, rather than the downsizing of the labour market and the welfare state, and continues to invest in key technologies, infrastructure or in an active labour market policy.

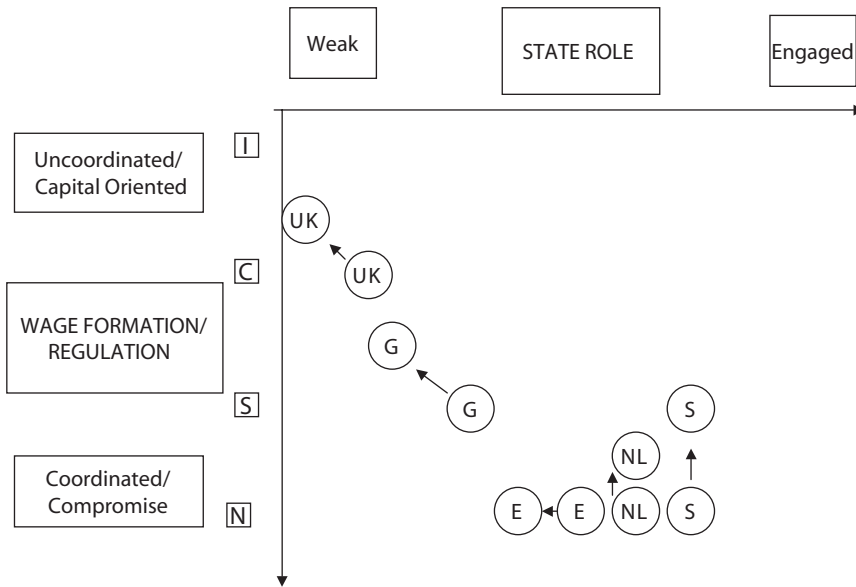
## National Trajectories

Comparative regulationist research has demonstrated how the Fordist wage relation was applied in different nation-states, referring to the roles that the collective actors as well as specific institutions played in these processes (Boyer, 1995; Tickel and Peck, 1995). This section elaborates on these contributions by reconstructing national trajectories according to the two criteria discussed earlier (see Figure 1). The first axis of our analysis is the development of the wage-determination process: whether it has moved towards a model in which capital interests predominate, typically through a move from wage coordination to bargaining at company (C) or individual level (I), or towards a new form of compromise which reflects not only the short-term interests of employers, but also the long-term interests of employees. This is normally achieved through coordinated bargaining at national (N) or sector level (S). The second axis addresses the changing role of the state in regulation: whether a country moves towards a 'weak state', oriented towards the competitive interests of employers only, or towards an 'engaged state', which initiates or supports attempts to achieve a post-Fordist compromise.

### The UK

The Fordist wage relation that prevailed until 1979 was only partly compatible with an 'adversarial industrial relations system in which a strong but decentralized, craft-based union movement and a weakly organized employer class have impeded consensus on incomes, industrial organization, and technical change' (Rhodes, 2000: 24). British Fordism was 'flawed' (Boyer, 1995) as the industrial-relations system proliferated into hundreds of bargaining units — divided according to skills and tasks and defended by the trade unions. The diminished potential for increased productivity, normally associated with Taylorist methods, was reflected in a rudimentary wage-determination system. Unlike other European countries, where agreements at national or sectoral level tended to cover a wide range of substantive issues and to generalize wage movements in correspondence with productivity gains, in Britain the tradition of bargaining and regulating at company level proved difficult to overcome. Postwar governments tended to apply policies of Keynesian demand management and to seek more coordination of wage increases and the labour market in general (Crouch, 2003), but numerous government initiatives fell victim to the weakly organized industrial-relations system (Beardwell, 1996). An integral part of the latter was the relatively strong and legally unrestricted position of the trade unions at company level: the prevalence of closed shops and trade unions' immunity in industrial action, including secondary action.

While the role of the state in socio-economic regulation was weak

**FIGURE 1. Wage Determination and State Regulation During and After Fordism**

UK: Continuing lack of coordination in wage determination. Capital-oriented reforms of the regulatory system. Transition from a weak Keynesian state towards a weak Schumpeterian state.

Sweden (S): Transition of the wage-determination system from bargaining at national level to a new compromise with bargaining at sector level. The state engaged in bringing about and supporting both models.

The Netherlands (NL): Transition in wage determination from automatic indexation to more flexible principles. The state was a crucial actor in negotiating a new compromise.

Germany (G): Undermining of the wage-determination system by stealth. Transition from a moderating state towards a weak state.

Spain (E): Fall and rise of central-level bargaining in relation to wage determination and regulation. Transition from a strong state that monopolizes regulation power towards a moderating state.

before 1979, it became an influential actor in the 1980s and 1990s. The state intervened in industrial relations and the regulatory system with the aim of making itself redundant. While the Conservative governments ended previous attempts to achieve more coordination in wage bargaining and labour-market regulation, they used their majority to 'liberate' market forces, implementing supply-oriented reforms to improve the competitiveness of British capital. The various Employment Acts of the 1980s abolished statutory recognition procedures, limited picketing and



first restricted and then prohibited the closed shop (Blanchflower and Freeman, 1994). Strike immunities were severely restricted and unions were made liable for the actions of their local representatives. Employers were permitted to pay non-union employees more than others (Purcell, 1995: 104). Reforms of the welfare system likewise served employers' interests by reducing the replacement ratio for unemployment benefits and imposing a tighter conditionality on the willingness to take up work or training. The reduction in the regulation role of the state was also expressed in the partial transition towards a private pension system, the abolition of wages councils and consequently the (partial) minimum wage, and in cutbacks in public employment and extensive privatization.

The New Labour government, in power since 1997, made no radical change to the inherited capital-oriented growth strategy. Neither were the attempts of earlier Labour governments of establishing tripartism and labour-market institutionalization repeated, nor was the role of the state in socio-economic regulation, weakened as result of Conservative policies, enhanced. Nevertheless, reforms were adopted which were designed to improve the position of employees at company level and to arrest the increased income inequality and societal disintegration that had emerged under the Conservative governments (Koch, forthcoming). A limited right to trade union recognition was enacted and protection against dismissal was extended to all employees after 12 months' employment (Rhodes, 2000: 60–61). In relation to social inequality, the most important measures were the reintroduction of the minimum wage, the signing of the European Social Chapter, the reform of the pensions system (which added a new second and third tier to the existing flat-rate contributory pension), the introduction of a Working Family Tax Credit (which was more generous than the preceding Family Credit) and tax reform designed to be redistributive.

## Sweden

Until the 1980s, Sweden's 'democratic' Fordism (Boyer, 1995) was based on peak-level collective bargaining, designed to achieve wider normative goals such as full employment and wage equality. Wage determination involved central negotiations between employer and trade union confederations, sectoral bargaining on the application and adjustment of the central agreements and company negotiations on any remaining details (Pestoff, 1995). The state, mainly directed by social-democratic governments, had played an active and engaged role in bringing about the 1938 Saltsjöbaden agreement, the institutional basis of the new model. Subsequently, governments could withdraw from the management of wage bargaining, which was increasingly carried out bilaterally between strong unions and a centralized employer organization. As state intervention in

wage determination became increasingly unnecessary, governments supported the general growth strategy through complementary labour-market and welfare policies. Active labour-market policies stimulated, among other things, geographical mobility and retraining and was, therefore, always 'supply-oriented'. The universal and generous welfare regime complemented the trade unions' 'solidaristic' wage policies in bringing about full employment and a lessening of income inequalities.

Both wage determination and the role of the state changed radically after the 1970s. In the next decade, there was a shift from central to sectoral bargaining, and in 1990 the employers' confederation SAF formally withdrew from peak-level negotiations (Pontusson, 1997). In the early 1990s, a Conservative government was elected on a programme of shifting the priority in economic policy from full employment to price stability and reduction of the budget deficit. Efforts were made to move wage determination down to company level, employers' taxes and contributions were reduced, fixed-term employment contracts were facilitated and welfare entitlements were reduced (Pontusson and Swenson, 1996).

However, fears that the 'Swedish model' would fracture altogether and would be replaced by a capital-oriented one based on uncoordinated bargaining at company or individual level were not confirmed. In 1994, it was once again an engaged state that initiated the reorganization of wage determination and wider economic strategy. Social-Democratic governments were re-elected, and sectoral bargaining was not only preserved, but increasingly coordinated across the economy. The Central Bank, formally independent after 1993 but still linked to government policy through its representation on the board, supported sectoral wage determination with a complementary interest rate policy.

A further method by which the government supported and, if necessary, influenced wage determination was the introduction of an arbitration institute with the power to intervene in negotiations. Its main function, however, was seen as creating and enforcing a common basis for negotiation before the actual bargaining round began. The employers signed up to the new system as they saw it as part of a wider strategy, the government-initiated 'Alliance for Growth', geared towards the technological upgrading of Swedish industry (Benner, 2003). Its main features included state support of sectoral innovation systems in existing areas of industrial specialization and research into promising technologies (telecommunications, pharmaceuticals, biotechnology and the information sector). The institutional infrastructure was improved by establishing clusters bringing together regional actors and organizations. This was complemented by training and retraining programmes for staff and an expansion of the educational system.

The trade unions agreed to the new growth pact because the social democrats reversed most of the Conservative reforms in labour market

and welfare regulation. However, the maximum replacement rate of unemployment benefits was reduced twice, from 90 percent to 80 percent in 1993 and to 75 percent in 1996, though this remains generous by comparison with other countries. Active labour-market policy even expanded during the crisis, with 5 percent of the labour force being temporarily employed in job-creation programmes (Björklund, 2000: 157). There were other gradual reductions in the generosity of the social insurance system (introduction of fees, individual contributions, waiting days as well as a general lowering of replacement rates), a reform of the pension system to control costs and to increase the supply of labour by linking pensions to lifelong employment and savings in health and social service expenditure. However, according to Meidner (1999), these welfare reforms did not constitute a qualitative break from the 'Swedish model'.

### The Netherlands

Postwar industrial relations were organized in the shared belief that a high degree of cooperation and centralized bargaining were indispensable. Economic policy and major reforms in the labour market and welfare state were normally negotiated in two national tripartite bodies, while the translation of these guidelines into socio-political practice was decentralized. The *Stichting van de Arbeid* (StAr) was the primary forum for wage negotiations and employment conditions, while the *Sociaal Economische Raad* (SER) focused more on general and longer-term concerns. Public-sector wages were indexed to private-sector wage increases, which were, in turn, automatically adjusted to cost-of-living movements (Hemerijck, 1995: 207). The state was of crucial importance: the government retained the right to approve or reject wage increases resulting from collective agreements, and could impose a 'wage-freeze' in case of 'serious disturbance in the national economy', and also set the minimum wage (Hemerijck, 1995). Most governments, normally led by Christian Democrats, followed a growth strategy based on wage restraint. The Dutch Fordist compromise consisted in a trade-off between the government and the unions to establish a 'low-cost zone' in exchange for the recognition of the latter in overall socio-economic policies. Full employment and relative income equality through wage indexation were generally recognized as regulatory goals, complemented by the creation of a comprehensive social security system.

In the 1970s and early 1980s, there was a crisis of the Dutch growth strategy. Both employers and organized labour became disenchanted with centralized bargaining as a vehicle of wage restraint, and the public budget became increasingly unbalanced as a result of growing unemployment and the practice of coupling wages in the public sector to the private sector (Visser and Hemerijck, 1997). In 1982, the first Lubbers

administration took the initiative to balance the budget, improve business competitiveness by tax reductions and wage moderation and restore full employment by reducing working hours. The first measure was the abolition of the wage-indexation system in 1982. It was re-established in 1989, on condition that wage increases would not exceed the expected growth in GDP and that the number of social benefit recipients would not increase relative to the working population, but excluded public-sector workers, for whom separate collective bargaining mechanisms were established. The second measure was the dual strategy of wage moderation plus reduction in working hours, carried out above all by an expansion of part-time work (Visser, 2002: 25). Labour-market reforms included increased 'flexible employment' such as fixed-term contracts, casual labour and variable-hours contracts, but did not lead to pure 'deregulation'; in 2001, 81 percent of part-time jobs (and 91 percent of full-time jobs) were still covered by collective agreements (Visser, 2002: 33). The search for more flexibility in working hours to improve the competitiveness of Dutch companies was complemented by improvements in the work-life balance as individual workers in companies with 10 or more employees were given the right to adjust working hours (Visser, 2002: 32). The social security of part-time workers was increased as pro rata social insurance contributions are usually paid in exchange for pro rata entitlements. The result was a trade-off between labour-market flexibility and more security for workers with 'flexible' contracts ('flexicurity'). The final measure concerned welfare state reforms. The goal of reducing the budget deficit was accompanied by the qualitative renovation of welfare state entitlements, in which the corporate actors agreed to move from a labour-substituting to a participation paradigm (Van Oorschot, 2002). The 'compromise' character of these reforms was, among other things, shown in the possibility of temporary or permanent wage subsidies for employees accepting a job at a lower wage than their previous employment and in the relatively high level of state expenditure for labour-market and welfare policies in general (Koch, forthcoming).

## Germany

Germany's postwar, Fordist growth strategy was based on a distinctive wage-determination process, which separated sectoral collective bargaining (*Tarifvertragssystem*) from the company level, where day-to-day work relations were addressed (*betriebliche Mitbestimmung*). Wages were normally negotiated for one sector in one federal state (often the metal industry in Baden-Württemberg) and set the pattern for other *Länder* and other sectors, ensuring standardized wage increases. Sectoral agreements (*Flächentarifverträge*) defined minimum standards which companies were permitted to exceed; and it was possible to include

so-called 'opening clauses' (*Öffnungsklauseln*) which authorized a company in precisely defined circumstances to deviate downward.

In companies with at least five employees, employees could be represented by works councils (*Betriebsräte*), which regulated the application of the collective agreements according to the particular needs of the company and codetermined, among other things, payment methods and systems, premiums and performance-related pay, holiday schedules, recruitment and dismissal. In companies with more than 500 employees, more extensive codetermination rules applied.

The state guaranteed the autonomy of the labour-market parties (*Tarifautonomie*), merely setting the basic parameters within which bargaining took place (maximum working hours, conditions for fixed-term contracts and the legal regulation of industrial conflicts). Its capacity for direct intervention was limited both vertically and horizontally (Streeck, 1997). Vertical fragmentation stemmed from the federal structure of the political system and the prevalence of coalition governments at both federal and *Land* levels, making rapid political change difficult. Horizontally, much of the power over socio-economic regulation was given to independent authorities such as the *Bundesbank* or the Federal Cartel Office, so governments could not initiate Swedish-style industrial policies. The state was 'enabling' and moderating, rather than 'étatiste' (Streeck, 1997: 38).

Since the late 1970s there has been rising unemployment, while public debt, aggravated by the adjustment problems caused by German unification (Hinrichs, 2002), rose to a level that made it difficult to meet the Maastricht criteria. Despite this structural pressure, the Kohl government between 1982 and 1998 only made gradual changes to the traditional mode of regulation. Reforms included facilitating fixed-term contracts; disqualifying employees affected by a strike in the same economic sector, but in a different region from receiving unemployment benefits; adapting working-hours legislation to employers' competitive interests; and relaxing shop opening hours. However, the impact of these reforms remained limited (Koch, 2003: 81).

It has been argued that the German model remained 'firmly intact' (Klikauer, 2002) because the formal procedures of wage determination and codetermination were left untouched. However, in the past decade there has been increasing use of 'opening clauses' in sectoral agreements, allowing firms in economic difficulties to deviate from the minimum specified conditions. Many commentators perceive this as a covert undermining of the principle of comprehensive agreements (*Flächentarifvertrag*) (Hinrichs, 2002) or even as the 'erosion' of the entire system of industrial relations (Hassel, 1999). Despite the formal stability of the wage-determination system, there is a more or less disguised trend towards company-level bargaining at the expense of the sector level.

Though the Christian-Democrat/Liberal governments retained the tradition of the 'moderating' state and refrained from far-reaching reforms in labour market and welfare regulation, it was paradoxically the Red-Green coalition, in power since 1998 that took more radical initiatives, pursuing supply-oriented reforms. This coalition almost one-sidedly followed capital interests, without accompanying public employment policies and strategic investments as in Sweden or reductions in working hours as in the Netherlands. Employers received relief from taxes and social security contributions, while the 'Hartz laws', introduced against trade union resistance, severely reduced entitlements to unemployment benefit. Earnings-related benefits (*Arbeitslosengeld I*) now end after one year, after which a revised payment (*Arbeitslosengeld II*) is dependent on means-testing and fixed at the level of the old social welfare benefits (*Sozialhilfe*). Pressure on unemployed persons to accept employment in other parts of the country and below their level of skills has also increased. Since the Christian Democrats have supported these changes (and indeed now call for more radical initiatives) the normally slow process of political change has been accelerated.

## Spain

Wage determination, industrial relations and state regulation developed in a distinctive manner in Spain: only with the political transition from Francoism to parliamentary democracy in the late 1970s and membership of the European Union in 1986 did a 'modernization' of economy and society take place. The country faced a dual problem: the need to transform a protected and inwardly focused economy into an open and competitive one, and also to introduce institutions of labour-market and welfare regulation at a time when other European countries had already begun to deregulate or restructure them.

In the strict sense of a predominant postwar growth strategy, there was no Fordism in Spain. However, as similar institutions to those in other European countries were eventually established, we can speak of a 'delayed' Fordism. The state traditionally played a strong role in socio-economic regulation; in the Franco era, it determined wages and industrial relations by decree and did not permit independent union representation. In the first post-Franco phase (1977–86), it initiated tripartite 'social concertation' (*concertación social*) in order to build a new industrial-relations framework, starting with the *Pactos de la Moncloa* of 1977 and followed by five additional central agreements. The purpose was to restrain wage demands, control inflation (then at a very high level) and foster the recovery of business profits. The government defined a wage margin based on the expected inflation rate, within which bipartite bargaining on lower levels could operate, ensuring standardized wage

increases in line with macro-economic constraints. The 1980 Workers' Statute (*Ley de Estatuto de Trabajadores*) and the 1984 Organic Law on Freedom of Trade Union Organization (*Ley Orgánica de Libertad Sindical*) introduced a dual structure of employee representation in decision-making at the company level: works councils (*delegados de personal* in companies with between 11 and 49 employees and *comités de empresa* in those with more than 50 employees) and trade union sections (*sección sindical*) were given the right to negotiate (and to call strikes) over issues such as employment contracts, health and safety, personnel policy and working hours (Van der Meer, 1996).

In the second phase (1986–95), when Spain had joined the EU and the economy was expanding, there were no further central agreements which could have served as a benchmark for bargaining rounds at lower levels. The Socialist government followed its 'rationalization' and restructuring policies with the aim of increasing labour-market flexibility, facilitating fixed-term contracts and reducing protection against dismissals; but both the government and the employers' organization CEOE wished to maintain centralized bargaining as a means of containing labour costs (Marsden, 1992). However, both major unions (*Comisiones Obreras* and *Unión General de Trabajadores*) refused, believing that they could achieve higher wage increases through decentralized bargaining. Simultaneously, they organized political protests against the government's policies, culminating in three national general strikes between 1988 and 1994. Because of the unions' resistance, the government imposed its reforms by legislation; measures enacted included the removal of legal impediments to fixed-term contracts, legalization of private employment agencies, further liberalization of dismissal law, and increased pressure on employees to accept occupational and geographical mobility.

The third phase (since 1996) saw a resurgence of national-level bargaining, somewhat surprisingly as it occurred under the Conservative government elected in 1996. Agreements included a new system for voluntary resolution of conflicts between employees and employers, a reform of the pension system and a new form of joint regulation of vocational training (Royo, 2002). Even more significant, as dismissal compensation had been an extremely contentious issue, was a trade-off between lower compensation for unfair dismissal against a tightening of the use of fixed-term employment. A new semi-permanent contract with lower dismissal costs was introduced, while entitlements to unemployment benefits for fixed-term employees were improved (Golsch, 2003). Lastly, and most significantly in the present context, the first central agreement on wage guidelines since 1984 was signed in December 2001, permitting wage increases slightly above the expected rate of inflation.

This new compromise reflected a recognition by the unions that decentralized bargaining was not providing the benefits they had hoped, for

their membership was concentrated in declining industries (Royo, 2002) and their bargaining power was further weakened by the growing prevalence of fixed-term contracts. In addition, the creation in 1991 of an Economic and Social Council is generally seen as having contributed to a better atmosphere; while it did not possess formal regulatory powers, it nevertheless helped to bring different positions closer together. The re-emergence of central agreements can hence be seen as the result of a learning process which included the establishment of a new labour-market institution.

## Conclusion

The material reproduction of society in the form of commodities, money, capital, and the state generates a range of contradictions and tensions that must be managed or regulated. The correspondence between an accumulation regime and a mode of regulation creates temporary stabilization, but this does not eliminate the underlying dimensions of crisis at the level of the mode of production. Moreover, both accumulation regimes and modes of regulation contain specific dynamics of their own, and crises result from the disarticulation between the two. It is possible, but by no means certain, that they can be reshaped to achieve a new articulation as the basis for a stable growth strategy. The relative success and, at the same time, the limits of a national growth strategy also depend on the structure of the international division of labour. Regulation theory assumes a 'doubled set of connections' (Hirsch, 2000: 105) between the nation-state and world market. The possibilities and limits of the growth strategies of a particular nation-state hence result from the intersection of its distinctive integration in the international division of labour and its internal socio-economic structure. The fact that this dual relationship shapes national locations in different ways is the structural background for the simultaneous existence of different national growth strategies and their greater or lesser 'success'.

While this article has dealt with the similarities and differences in changing socio-economic regulation at the level of the nation-state, the sustainability of national growth strategies also depends on whether post-Fordist national trajectories can be complemented by a re-regulation of the international economic space. Though this is a topic for further research, the regulation perspective suggests that national governments are not just at the receiving end of so-called 'global constraints'; through their representation in international agencies such as the International Monetary Fund, the World Bank, the Organization for Economic Cooperation and Development and International Labour Organization, they are potentially crucial actors in the reconstitution of the inter-



national sphere. In contrast to the Fordist prosperity model, which was mainly geared to the domestic market and complemented by a relatively stable international system, today national locations in western Europe are being restructured and re-regulated in order to accommodate an international economy which remains under-regulated.

Jessop has described the transition in national socio-economic regulation as a shift towards 'Schumpeterian' regimes: national governments increasingly opt to provide the preconditions for systemic competitiveness, permanent innovation and flexibility. This article has elaborated on this theme, arguing that even given the increased international competition and the general under-regulation of the global arena, European governments and policy-makers do not have to compete against each other by undercutting social and ecological standards. While it is true that large corporations invest in countries and regions that promise the biggest net profit, profit margins depend not only on the costs of the factors of production, but also on their relative productivity. A country with relatively high taxes can therefore remain attractive to international capital as long as it offers a highly qualified labour force able to produce high-quality commodities.

This theoretical position is empirically supported by the comparative perspective taken in this article. While there is a general trend towards improving competitiveness through a shift from a demand-oriented to a supply-oriented mode of regulation, it makes an important difference whether this shift is carried out solely to increase short-term capital valorization or as a compromise which combines supply-oriented changes with reforms in the interest of employees. In two countries, the UK and Germany, changes in wage-determination processes and other forms of socio-economic regulation can be said to have primarily served the interests of employers. In the UK, earlier attempts to establish a degree of wage coordination were terminated and capital-oriented reforms were pushed through against trade union resistance. German trade unions, in contrast, proved strong enough to prevent the abolition of the centralized wage-determination system and the more advanced system of welfare regulation; but the increased use of 'opening clauses' has weakened sectoral collective agreements, eroding the *Flächentarifvertrag* by stealth; while recent labour-market reforms designed to diminish labour costs for employers lack elements that could be interpreted as in the interest of employees or the unemployed.

Conversely, however, the trajectories of Sweden, the Netherlands and Spain can be seen as 'compromises', as in all cases a temporary breakdown of wage-determination processes at national level was reversed and wage coordination was resumed. In Sweden, coordinated sectoral bargaining was consolidated, while central tripartite bargaining was resumed in the Netherlands and Spain. Though there was no return to

automatic forms of wage indexation, all three countries established or retained tripartite institutions designed to facilitate the discussion of wage issues in wider socio-economic contexts. After rather negative experiences with decentralized bargaining, collective actors (including employers) started to revalue a link between wages and productivity increases and economic growth. Particular compromises in socio-economic regulation vary path-dependently from country to country: Sweden's 'Alliance for Growth' combines a technological upgrading of industry with investments in training for employees, the expansion of the education system and the retention of a generous welfare state; Dutch supply-oriented policies to facilitate labour-market flexibility were complemented with more security for 'flexible workers', while the welfare state was to be renovated, but not downsized; in Spain, dismissal costs for employers were reduced, but conditions for the use of fixed-term employment were tightened and entitlements to unemployment benefits for fixed-term employees were improved.

Theoretically, the changing role of the state in socio-economic governance is not fully determined structurally: national governments do not merely execute the real or alleged constraints of globalization, and in some cases, their strategies combine supply orientation with the consideration of employment rights. Two cases come close to the ideal type of a 'weak state' (one that intervenes to make itself redundant in the interest of market forces): the UK and Germany. In the 1980s and 1990s, British governments identified the improvement of company profitability largely with a structural debilitation of the trade unions, the termination of industrial policies and the privatization of public property. In Germany, while the Kohl government attempted to preserve the traditional growth strategy by maintaining the role of the 'moderating' state, under the Red-Green government the 'urgency' for far-reaching reforms was emphasized and capital interests were increasingly supported. In Sweden, the Netherlands and, to a lesser extent, Spain, governments played a more inclusive role in combining supply-oriented growth strategies with reforms in the interest of employees ('engaged state'). In Sweden and the Netherlands, governments initiated modifications of the regulatory systems, while employers and trade unions played rather passive roles. In both cases, governments were crucial in finding ways out of the crisis, and they remain active in current socio-economic governance. The Spanish state, which had monopolized regulatory power under Franco, dispensed parts of this competence to the labour-market parties. Governments became increasingly 'moderating' in their attempts to reach central agreements.

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